
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 8-K

**CURRENT REPORT
Pursuant to Section 13 OR 15(d)
of The Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): October 30, 2018

AMERICAN FINANCIAL GROUP, INC.

(Exact name of registrant as specified in its charter)

Ohio
(State or other jurisdiction
of incorporation)

1-13653
(Commission
File Number)

31-1544320
(IRS Employer
Identification No.)

301 East Fourth Street, Cincinnati, OH
(Address of principal executive offices)

45202
(Zip Code)

Registrant's telephone number, including area code 513-579-2121

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR §230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR §240.12b-2).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Section 2 - Financial Information

Item 2.02 Results Of Operations And Financial Condition.

Reference is made to the press release of American Financial Group, Inc. (the "Company") relating to the announcement of the Company's results of operations for the third quarter of 2018 and the availability of the Investor Supplement on the Company's website. The press release was issued on October 30, 2018. A copy of the press release is attached to this Form 8-K as Exhibit 99.1 and a copy of the Investor Supplement is attached as Exhibit 99.2 and are incorporated herein by reference.

The information contained herein shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934 as amended (the "Exchange Act), or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act.

Section 9 - Financial Statements and Exhibits

Item 9.01 Financial Statements and Exhibits.

- (a) Financial statements of business acquired. Not applicable.
- (b) Pro forma financial information. Not applicable.
- (c) Shell company transactions. Not applicable
- (d) Exhibits

<u>Exhibit No.</u>	<u>Description</u>
99.1	Earnings Release dated October 30, 2018, reporting American Financial Group Inc. results for the quarter ended September 30, 2018.
99.2	Investor Supplement – Third Quarter 2018

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

AMERICAN FINANCIAL GROUP, INC.

Date: October 31, 2018

By: /s/ Karl J. Grafe
Karl J. Grafe
Vice President

FOR IMMEDIATE RELEASE



Press Release

American Financial Group, Inc. Announces Third Quarter Results

- ***Net earnings per share of \$2.26; includes (\$0.24) per share of after-tax A&E reserve strengthening and \$0.31 in after-tax realized gains on securities***
- ***Record third quarter core net operating earnings of \$2.19 per share, an increase of 107% from the prior year period***
- ***Third quarter annualized ROE of 16.3%; annualized core operating ROE of 15.8%***
- ***Full year 2018 core net operating earnings guidance increased to \$8.35 to \$8.65 per share from \$8.10—\$8.60 per share***

CINCINNATI – October 30, 2018 – American Financial Group, Inc. (NYSE: AFG) today reported 2018 third quarter net earnings attributable to shareholders of \$204 million (\$2.26 per share) compared to \$11 million (\$0.13 per share) for the 2017 third quarter. Net earnings for the quarter include after-tax charges of \$21 million (\$0.24 per share) to strengthen the Company’s asbestos and environmental (“A&E”) reserves, and \$27 million (\$0.31 per share) in after-tax realized gains on securities. Comparatively, net earnings in the 2017 third quarter included net after-tax non-core charges of \$84 million (\$0.93 per share). The change in the Federal corporate tax rate from 35% to 21%, enacted by the Tax Cuts and Jobs Act of 2017 and effective January 1, 2018, contributed to a lower effective tax rate in 2018 as compared to 2017. Details may be found in the table below. Book value per share was \$57.90 per share at September 30, 2018. Annualized return on equity was 16.3% and 1.0% for the third quarters of 2018 and 2017, respectively.

Core net operating earnings were \$198 million (\$2.19 per share) for the 2018 third quarter, compared to \$95 million (\$1.06 per share) in the 2017 third quarter. The \$2.19 per share represents a 107% increase over the prior year period, and establishes a new high for AFG third quarter core earnings per share. The increase was primarily the result of higher underwriting profit in our Specialty Property and Casualty (“P&C”) insurance operations, primarily the result of lower catastrophe losses than in the year-ago quarter, coupled with higher P&C net investment income, higher earnings in our Annuity Segment, and the benefit of a lower effective corporate income tax rate. Book value per share, excluding unrealized gains related to fixed maturities, was \$57.22 at September 30, 2018. Core net operating earnings for the third quarters of 2018 and 2017 generated annualized core returns on equity of 15.8% and 8.1%, respectively.

AFG’s net earnings attributable to shareholders, determined in accordance with U.S. generally accepted accounting principles (GAAP), include certain items that may not be indicative of its ongoing core operations. The table below identifies such items and reconciles net earnings attributable to shareholders to core net operating earnings, a non-GAAP financial measure. AFG believes that its core net operating earnings provides management, financial analysts, ratings agencies and investors with an understanding of the results from the ongoing operations of the Company by excluding the impact of net realized gains and losses and other special items that are not necessarily indicative of operating trends. AFG’s management uses core net operating earnings to evaluate financial performance against historical results because it believes this provides a more comparable measure of its continuing business. Core net operating earnings is also used by AFG’s management as a basis for strategic planning and forecasting.

In millions, except per share amounts	Three months ended		Nine months ended	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
Components of net earnings attributable to shareholders:				
Core operating earnings before income taxes(a)	\$ 237	\$ 158	\$ 733	\$ 582
Pretax non-core items:				
Realized gains (losses) on securities	34	(12)	(28)	(1)
Special A&E charges(b)	(27)	(113)	(27)	(113)
Loss on retirement of debt	—	(4)	—	(11)
Earnings before income taxes	244	29	678	457
Provision (credit) for income taxes:				
Core operating earnings	40	63	138	189
Non-core items	1	(45)	(12)	(43)
Total provision (credit) for income taxes	41	18	126	146
Net earnings, including noncontrolling interests	203	11	552	311
Less net earnings attributable to noncontrolling interests:				
Core operating earnings	(1)	—	(7)	2
Non-core items	—	—	—	—
Total net earnings attributable to noncontrolling interests	(1)	—	(7)	2
Net earnings attributable to shareholders	\$ 204	\$ 11	\$ 559	\$ 309
Net earnings:				
Core net operating earnings(a)	198	\$ 95	\$ 602	\$ 391
Non-core items	6	(84)	(43)	(82)
Net earnings attributable to shareholders	\$ 204	\$ 11	\$ 559	\$ 309
Components of Earnings Per Share:				
Core net operating earnings	\$ 2.19	\$ 1.06	\$ 6.65	\$ 4.35
Non-core Items:				
Realized gains (losses) on securities	0.31	(0.08)	(0.24)	(0.01)
Special A&E charges(b)	(0.24)	(0.82)	(0.24)	(0.82)
Loss on retirement of debt	—	(0.03)	—	(0.08)
Diluted Earnings Per Share	\$ 2.26	\$ 0.13	\$ 6.17	\$ 3.44

Footnotes (a) and (b) are contained in the accompanying Notes to Financial Schedules at the end of this release.

S. Craig Lindner and Carl H. Lindner III, AFG's Co-Chief Executive Officers, issued this statement: "We are pleased to report record third quarter core net operating earnings, highlighting the value of our portfolio of diversified, specialty insurance operations. Our Specialty P&C and Annuity Segments both performed well in the quarter and benefited from exceptional investment results achieved by our in-house American Money Management team. AFG's annualized core ROE was in excess of 15% in the third quarter of 2018.

"For the nine months ended September 30, 2018, AFG's annualized growth in adjusted book value per share plus dividends was 15.6%. Excess capital was approximately \$865 million (including parent company cash of approximately \$250 million) at September 30, 2018. Our excess capital will be deployed into AFG's core businesses as we identify potential for healthy, profitable organic growth, and opportunities to expand our specialty niche businesses through acquisitions and start-ups that meet our target return thresholds. In addition, returning capital to shareholders in the form of regular and special cash dividends and opportunistic share repurchases are also an important and effective component of our capital management strategy. We will evaluate our excess capital position again before the end of the year, and note that the special cash dividend paid in May 2018 does not preclude our consideration of an additional special dividend in 2018.

"Based on results for the first nine months of 2018, we now expect AFG's core net operating earnings in 2018 to be in the range of \$8.35 to \$8.65 per share, an increase from the range of \$8.10 to \$8.60 announced previously. This revised range gives effect to our results of operations through the first nine months of 2018, as well as our expectations for fourth quarter catastrophe losses, including Hurricane Michael. Our core earnings per share guidance excludes non-core items such as realized gains and losses, as well as other significant items that are not able to be estimated with reasonable precision, or that may not be indicative of ongoing operations."

Specialty Property and Casualty Insurance Operations

Core operating earnings before income taxes in AFG's P&C insurance Segment were \$158 million in the third quarter of 2018, compared to \$95 million in the prior year period, an increase of \$63 million, or 66%. Significantly higher P&C underwriting profit, principally due to lower year-over-year catastrophe losses, and higher P&C net investment income, primarily the result of higher earnings on limited partnerships and similar investments, both contributed to the year-over-year improvement. The strong performance of these investments should not necessarily be expected to repeat in future periods.

The Specialty P&C insurance operations generated an underwriting profit of \$55 million in the 2018 third quarter, compared to \$9 million in the third quarter of 2017. Higher year-over-year underwriting profits in our Specialty Casualty and Specialty Financial Groups were partially offset by lower underwriting profit in our Property and Transportation Group. Pretax losses from Hurricane Florence, net of reinsurance and inclusive of reinstatement premiums, were \$27 million. The third quarter 2018 combined ratio of 95.7% was 3.6 points lower than the 99.3% reported in the comparable prior year period, and includes 2.6 points in catastrophe losses. By comparison, catastrophe losses in the third quarter of 2017 added 8.4 points. Third quarter 2018 results include 3.7 points of favorable prior year reserve development, compared to 2.9 points in the comparable prior year period.

Gross written premiums were flat and net written premiums were up 2% for the third quarter of 2018, when compared to the same period in 2017. Gross and net written premiums increased 2% and 5%, respectively, excluding the impact of the timing of the renewal of two large accounts in our Property and Transportation Group, as discussed below. Average renewal pricing across the entire P&C Group was up approximately 2% for the quarter. Excluding our workers' compensation business, renewal pricing was up approximately 3%. Further details about AFG's Specialty P&C operations may be found in the accompanying schedules.

The **Property and Transportation Group** reported break-even underwriting results in the third quarter of 2018, compared to an underwriting profit of \$6 million in the third quarter of 2017. Improved underwriting results in our ocean marine operations and higher underwriting profit in National Interstate were offset by lower accident year profitability in several other businesses in this group. Overall results include 0.8 points of favorable prior year reserve development in the third quarter of 2018, compared to 1.5 points in the year-ago period. Catastrophe losses for this group were \$13 million in the third quarter of 2018, compared to \$25 million in the comparable prior year period.

Gross and net written premiums for the third quarter of 2018 were 11% and 10% lower, respectively, than the comparable 2017 period. The decrease was largely the result of a change in the timing of renewal of two large accounts in one of our transportation businesses from the third to fourth quarter, as well as lower year-over-year premiums in our crop insurance business, as we expected. Gross and net written premium in the other businesses in this group for the third quarter grew by 6% and 4%, respectively, year-over-year. Overall renewal rates in this group increased 3% on average for the third quarter of 2018.

The **Specialty Casualty Group** reported a 2018 third quarter underwriting profit of \$49 million, compared to \$2 million in the third quarter of 2017. The year-over-year improvement was primarily attributable to lower third quarter 2018 catastrophe losses within Neon, as well as higher underwriting profit in our executive liability business. Catastrophe losses for this group were \$12 million and \$56 million in the third quarters of 2018 and 2017, respectively.

Gross and net written premiums increased 12% and 11%, respectively, for the third quarter of 2018 when compared to the same prior year period. Growth within Neon was the primary driver of the higher premiums. To a lesser extent, our workers' compensation and excess and surplus lines businesses also reported higher year-over-year premiums. Renewal pricing for this group was up approximately 1% in the third quarter. Excluding our workers' compensation businesses, renewal rates in this group were up approximately 2%.

The **Specialty Financial Group** reported an underwriting profit of \$9 million in the third quarter of 2018, compared to an underwriting loss of \$3 million in the third quarter of 2017. Lower year-over-year catastrophe losses in the lender-placed mortgage property book within our financial institutions business and higher underwriting profitability in our surety business were the primary drivers of this growth. Catastrophe losses for this group were \$13 million and \$31 million in the third quarters of 2018 and 2017, respectively.

Gross and net written premiums increased by 8% and 2%, respectively, in the 2018 third quarter when compared to the same 2017 period, primarily as a result of higher premiums in our financial institutions business. Renewal pricing in this group increased by 6% for the quarter.

Carl Lindner III stated, “Our Specialty P&C underwriting margin was very good in the quarter, and losses from Hurricane Florence were manageable. I’m particularly pleased that renewal pricing for our Specialty P&C Group overall was at its highest level in 17 quarters, and we continue to be on target to meet our expectations for growth for the year. We have updated our 2018 P&C net written premium and combined ratio guidance based on results through the first nine months of 2018, with consideration to fourth quarter catastrophe estimates related to Hurricane Michael. We now estimate growth in net written premium to be in the range of 5% to 7%, narrowed slightly from the range of 4% to 8% estimated previously. We have also updated guidance for our overall 2018 calendar year combined ratio to be in the range of 93% to 94%, up slightly from our previous estimate of 92% to 94%.”

Further details about AFG’s Specialty P&C operations may be found in the accompanying schedules and in our Quarterly Investor Supplement, which is posted on our website.

Annuity Segment

As shown in the following table, AFG’s Annuity Segment reported \$117 million in pretax earnings in the third quarter of 2018, a 15% increase over the \$102 million reported in the third quarter of 2017.

<u>Components of Annuity Earnings Before Income Taxes</u> Dollars in millions	<u>Three months ended</u>		<u>Pct.</u> <u>Change</u>	<u>Nine months ended</u>		<u>Pct.</u> <u>Change</u>
	<u>September 30,</u>			<u>September 30,</u>		
	<u>2018</u>	<u>2017</u>		<u>2018</u>	<u>2017</u>	
Annuity earnings before impact of fair value accounting for FIAs and unlocking	\$ 119	\$ 106	12%	\$ 354	\$ 305	16%
Impact of fair value accounting for FIAs	(2)	(4)	nm	14	(22)	nm
Unlocking	—	—	nm	(27)	—	nm
Pretax annuity earnings	<u>\$ 117</u>	<u>\$ 102</u>	15%	<u>\$ 341</u>	<u>\$ 283</u>	20%

Annuity Earnings Before Fair Value Accounting for FIAs – Annuity earnings before fair value accounting for fixed-indexed annuities (FIAs) were \$119 million in the third quarter of 2018, a 12% increase over the \$106 million reported in the third quarter of 2017. AFG’s quarterly average annuity investments and reserves grew approximately 10% year-over-year. In addition, as shown in AFG’s Quarterly Investor Supplement, AFG’s Annuity Segment results were favorably impacted by exceptionally high returns on certain investments required to be marked to market (including very strong earnings from limited partnerships and similar investments); these high returns should not necessarily be expected to repeat in future periods. The benefit of these items was partially offset by the runoff of higher-yielding investments.

Impact of Fair Value Accounting for FIAs – Under GAAP, a portion of the reserves for FIAs (\$3.1 billion and \$2.3 billion at September 30, 2018 and 2017, respectively) is considered an embedded derivative and is recorded at fair value based on the estimated present value of certain expected future cash flows. Assumptions used in calculating this fair value amount include projected interest rates, option costs, surrenders, withdrawals and mortality. Variances from these assumptions, as well as changes in the stock market, will generally result in a change in fair value. Some of these adjustments are not economic in nature for the current reporting period, but rather impact the timing of reported results. The components of this impact were as follows (in millions):

Components of Impact of Fair Value Accounting for FIAs

In millions	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Interest accreted on embedded derivative	\$ (10)	\$ (4)	\$ (25)	\$ (11)
Increase in stock market	12	6	16	20
Higher (lower) than expected change in interest rates	(2)	(10)	37	(38)
Renewal option costs lower (higher) than expected	—	1	(7)	4
Other changes in fair value	(2)	3	(7)	3
Total impact of FV accounting for FIAs	<u>\$ (2)</u>	<u>\$ (4)</u>	<u>\$ 14</u>	<u>\$ (22)</u>

The impact of fair value accounting for FIAs includes an ongoing expense for annuity interest accreted on the FIA embedded derivative reserve. The amount of interest accreted in any period is generally based on the size of the embedded derivative and current interest rates. We expect both the size of the embedded derivative and interest rates to rise, resulting in continued increases in interest on the embedded derivative liability.

In the third quarter of 2018, the stock market increased 7%; this increase exceeded our expectation of a 1% increase and resulted in a significant favorable impact of \$12 million for the quarter, as shown in the table above.

For additional analysis of fair value accounting, see our Quarterly Investor Supplement, which is posted on AFG’s website.

Annuity Premiums – AFG’s Annuity Segment reported statutory premiums of \$1.38 billion in the third quarter of 2018, compared to \$876 million in the third quarter of 2017, an increase of 57%. Sales of traditional fixed and indexed annuities in 2018 by AFG and the industry continue to significantly outpace sales in 2017.

Craig Lindner stated, “We are pleased with our premium growth and we continue to earn our targeted returns despite a competitive market. While we have seen third quarter sales growth in all of our channels, production in our retail and broker-dealer markets continues to be particularly strong due to the launch of several new products and our efforts to expand our penetration of these markets. In addition, in 2017 the annuity industry faced uncertainty related to the proposed Department of Labor Rule, which was vacated in 2018.

“Furthermore, interest rates fell in 2017. As a result, AFG implemented several decreases in crediting rates in 2017 in order to maintain appropriate returns on new sales; this resulted in a negative impact on premiums in the second half of 2017. Conversely, rising interest rates in 2018, as well as the favorable impact of tax reform, allowed us to selectively raise crediting rates on new business this year. Based on our sales year-to-date, we now expect that our 2018 full year annuity premiums will be up approximately 17% to 20% over the \$4.3 billion reported in 2017.”

Outlook – Pretax Annuity Earnings – Due to significantly stronger than expected earnings in the third quarter of 2018, we are increasing our guidance for Annuity earnings before the impact of fair value accounting for FIAs and unlocking. We now estimate that these earnings will be in the range of \$440 million to \$450 million, compared to our previous guidance of \$430 million to \$450 million.

However, as a result of the decrease of 9% in the S&P 500 since September 30, 2018, we now estimate that pretax Annuity earnings (including fair value accounting and the second quarter unlocking charge) will be in the range of \$385 million to \$425 million, which is lower than our most recent guidance, but equal to our original 2018 guidance. This guidance indicates fourth quarter earnings between \$44 and \$84 million. This range is significantly lower than recent quarterly results for two primary reasons. First, and primarily, interest rates and the stock market can have significant positive or negative impacts on the Annuity Segment's results. Due to increases in the stock market and interest rates in the first nine months of 2018, the impact of fair value accounting has generally been positive, resulting in a total of \$14 million of earnings in the first nine months of 2018. However, as mentioned above, the stock market has decreased significantly to date in the fourth quarter. This decrease (assuming no recovery in the stock markets before year-end) will have a negative impact on AFG's earnings; this negative impact is included in our updated guidance above.

Second, and to a lesser extent, as can be seen in our Investor Supplement, income from the Annuity Segment's equity in investees (primarily limited partnerships) were \$25 million in the third quarter of 2018 and \$77 million in the first nine months of 2018, reflecting year-to-date returns of approximately 15%. We are not forecasting such high returns to continue in the fourth quarter of 2018.

These earnings expectations do not reflect any potential earnings impact from our annual fourth quarter review ("unlocking") of the major actuarial assumptions in our fixed annuity business.

More information about premiums and the results of operations for our Annuity Segment may also be found in our Quarterly Investor Supplement.

A&E Reserves

During the third quarter of 2018, AFG completed an in-depth comprehensive internal review of its asbestos and environmental exposures relating to the run-off operations of its P&C Group and its exposures related to former railroad and manufacturing operations and sites. This year's internal review resulted in non-core after-tax special charges of \$21 million (\$27 million pretax) to increase AFG's A&E reserves.

The P&C Group's asbestos reserves were increased by \$6 million (net of reinsurance) and its environmental reserves were increased by \$12 million (net of reinsurance). At September 30, 2018, the P&C Group's insurance reserves include A&E reserves of \$398 million, net of reinsurance recoverables. At September 30, 2018, the property and casualty insurance segment's three-year survival ratios were 19.0 times paid losses for asbestos reserves, 11.4 times paid losses for environmental reserves and 15.0 times paid losses for total A&E reserves. These ratios compare favorably with industry data compiled by S&P Global Market Intelligence as of December 31, 2017, which indicate that industry survival ratios were 6.7 for asbestos, 6.7 for environmental, and 6.7 for total A&E reserves.

In addition, the 2018 internal review encompassed reserves for asbestos and environmental exposures of our former railroad and manufacturing operations. As a result of the review, AFG increased its reserve for environmental exposures by \$9 million, due primarily to relatively small movements across several sites that primarily reflect changes in the scope and costs of investigation.

Investments

Effective January 1, 2018, AFG adopted ASU 2016-01, which requires that all equity securities previously classified as "available for sale" be reported at fair value, with holding gains and losses recognized in net earnings, instead of accumulated other comprehensive income (AOCI). AFG recorded third quarter 2018 net realized gains on securities of \$27 million (\$0.31 per share) after tax and after

deferred acquisition costs (DAC), which included \$20 million (\$0.22 per share) in after-tax, after-DAC net gains to adjust equity securities that the Company continued to own, to fair value. By comparison, AFG recorded net realized losses on securities of \$8 million in the comparable 2017 period. The impact to our income statement will vary depending upon the level of volatility in the performance of the securities held in our equity portfolio and the overall market.

Unrealized gains on fixed maturities were \$93 million, after tax, after DAC at September 30, 2018, a decrease of \$526 million since year-end. Our portfolio continues to be high quality, with 90% of our fixed maturity portfolio rated investment grade and 98% with a National Association of Insurance Commissioners' designation of NAIC 1 or 2, its highest two categories.

For the nine months ended September 30, 2018, P&C net investment income was approximately 17% higher than the comparable 2017 period, and included unusually high returns of approximately 15% on certain private equity and limited partnership investments.

More information about the components of our investment portfolio may be found in our Quarterly Investor Supplement, which is posted on our website.

About American Financial Group, Inc.

American Financial Group is an insurance holding company, based in Cincinnati, Ohio with assets over \$60 billion. Through the operations of Great American Insurance Group, AFG is engaged primarily in property and casualty insurance, focusing on specialized commercial products for businesses, and in the sale of traditional fixed, fixed-indexed and variable-indexed annuities in the retail, financial institutions, broker-dealer and registered investment advisor markets. Great American Insurance Group's roots go back to 1872 with the founding of its flagship company, Great American Insurance Company.

Forward Looking Statements

This press release contains certain statements that may be deemed to be "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. All statements in this press release not dealing with historical results are forward-looking and are based on estimates, assumptions and projections. Examples of such forward-looking statements include statements relating to: the Company's expectations concerning market and other conditions and their effect on future premiums, revenues, earnings, investment activities and the amount and timing of share repurchases; recoverability of asset values; expected losses and the adequacy of reserves for asbestos, environmental pollution and mass tort claims; rate changes; and improved loss experience.

Actual results and/or financial condition could differ materially from those contained in or implied by such forward-looking statements for a variety of reasons including, but not limited to: changes in financial, political and economic conditions, including changes in interest and inflation rates, currency fluctuations and extended economic recessions or expansions in the U.S. and/or abroad; performance of securities markets, including the cost of equity index options; new legislation or declines in credit quality or credit ratings that could have a material impact on the valuation of securities in AFG's investment portfolio; the availability of capital; regulatory actions (including changes in statutory accounting rules); changes in the legal environment affecting AFG or its customers; tax law and accounting changes, including the impact of recent changes in U.S. corporate tax law; levels of natural catastrophes and severe weather, terrorist activities (including any nuclear, biological, chemical or radiological events), incidents of war or losses resulting from civil unrest and other major losses; disruption caused by cyber-attacks or other technology breaches or failures by AFG or its business

partners and service providers, which could negatively impact AFG's business and/or expose AFG to litigation; development of insurance loss reserves and establishment of other reserves, particularly with respect to amounts associated with asbestos and environmental claims; availability of reinsurance and ability of reinsurers to pay their obligations; trends in persistency and mortality; competitive pressures; the ability to obtain adequate rates and policy terms; changes in AFG's credit ratings or the financial strength ratings assigned by major ratings agencies to AFG's operating subsidiaries; the impact of the conditions in the international financial markets and the global economy (including those associated with the United Kingdom's expected withdrawal from the European Union, or "Brexit") relating to AFG's international operations; and other factors identified in AFG's filings with the Securities and Exchange Commission.

The forward-looking statements herein are made only as of the date of this press release. The Company assumes no obligation to publicly update any forward-looking statements.

Conference Call

The Company will hold a conference call to discuss 2018 third quarter results at 11:30 a.m. (ET) tomorrow, Wednesday, October 31, 2018. Toll-free telephone access will be available by dialing 1-877-459-8719 (international dial-in 424-276-6843). The conference ID for the live call is 9653668. Please dial in five to ten minutes prior to the scheduled start time of the call.

A replay will be available two hours following the completion of the call and will remain available until 11:59 p.m. (ET) on November 7, 2018. To listen to the replay, dial 1-855-859-2056 (international dial-in 404-537-3406) and provide the conference ID 9653668.

The conference call and accompanying webcast slides will also be broadcast live over the Internet. To access the event, click the following link: <https://www.afginc.com/news-and-events/event-calendar>. Alternatively, you can choose **Events** from the Investor Relations page at www.AFGinc.com.

An archived webcast will be available immediately after the call via the same link on our website until November 7, 2018 at 11:59 p.m. (ET). An archived audio MP3 file will be available within 24 hours of the call.

Contact:

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Asst. Vice President – Investor Relations
(513) 369-5713

Websites:

www.AFGinc.com
www.GreatAmericanInsuranceGroup.com

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(Financial summaries follow)

This earnings release and AFG's Quarterly Investor Supplement are available in the Investor Relations section of AFG's website: www.AFGinc.com.

AFG18-18

AMERICAN FINANCIAL GROUP, INC. AND SUBSIDIARIES
SUMMARY OF EARNINGS AND SELECTED BALANCE SHEET DATA
(In Millions, Except Per Share Data)

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Revenues				
P&C insurance net earned premiums	\$ 1,327	\$ 1,267	\$ 3,595	\$ 3,354
Life, accident & health net earned premiums	6	6	18	17
Net investment income	527	471	1,552	1,366
Realized gains (losses) on securities	34	(12)	(28)	(1)
Income (loss) of managed investment entities:				
Investment income	65	54	187	155
Gain (loss) on change in fair value of assets/liabilities	(5)	1	(10)	12
Other income	54	48	146	154
Total revenues	2,008	1,835	5,460	5,057
Costs and expenses				
P&C insurance losses & expenses	1,296	1,352	3,411	3,301
Annuity, life, accident & health benefits & expenses	303	276	899	812
Interest charges on borrowed money	15	21	46	65
Expenses of managed investment entities	52	45	154	137
Other expenses	98	112	272	285
Total costs and expenses	1,764	1,806	4,782	4,600
Earnings before income taxes	244	29	678	457
Provision for income taxes ^(c)	41	18	126	146
Net earnings including noncontrolling interests	203	11	552	311
Less: Net earnings (losses) attributable to noncontrolling interests	(1)	—	(7)	2
Net earnings attributable to shareholders	<u>\$ 204</u>	<u>\$ 11</u>	<u>\$ 559</u>	<u>\$ 309</u>
Diluted Earnings per Common Share	<u>\$ 2.26</u>	<u>\$ 0.13</u>	<u>\$ 6.17</u>	<u>\$ 3.44</u>
Average number of diluted shares	90.7	90.0	90.6	89.7
Selected Balance Sheet Data:				
		September 30,	December 31,	
		2018	2017	
Total cash and investments		\$ 47,841	\$ 46,048	
Long-term debt		\$ 1,302	\$ 1,301	
Shareholders' equity ^(d)		\$ 5,164	\$ 5,330	
Shareholders' equity (excluding unrealized gains/losses related to fixed maturities) ^(d)		\$ 5,103	\$ 4,724	
Book value per share		\$ 57.90	\$ 60.38	
Book value per share (excluding unrealized gains/losses related to fixed maturities)		\$ 57.22	\$ 53.51	
Common Shares Outstanding			89.2	88.3

Footnotes (c) and (d) are contained in the accompanying Notes to Financial Schedules at the end of this release.

AMERICAN FINANCIAL GROUP, INC.
SPECIALTY P&C OPERATIONS
(Dollars in Millions)

	Three months ended September 30,		Pct. Change	Nine months ended September 30,		Pct. Change																																																																																				
	2018	2017		2018	2017																																																																																					
Gross written premiums	<u>\$ 2,104</u>	<u>\$ 2,104</u>	—%	<u>\$ 5,227</u>	<u>\$ 4,931</u>	6%																																																																																				
Net written premiums	<u>\$ 1,456</u>	<u>\$ 1,433</u>	2%	<u>\$ 3,815</u>	<u>\$ 3,590</u>	6%																																																																																				
Ratios (GAAP):																																																																																										
Loss & LAE ratio	64.3%	71.4%		60.8%	64.0%																																																																																					
Underwriting expense ratio	31.4%	27.9%		33.0%	31.2%																																																																																					
Specialty Combined Ratio	95.7%	99.3%		93.8%	95.2%																																																																																					
Combined Ratio – P&C Segment	97.2%	106.4%		94.4%	97.9%																																																																																					
Supplemental Information:(e)																																																																																										
Gross Written Premiums:																																																																																										
Property & Transportation	\$ 953	\$ 1,073	(11%)	\$ 1,994	\$ 2,062	(3%)																																																																																				
Specialty Casualty	956	850	12%	2,667	2,350	13%																																																																																				
Specialty Financial	195	181	8%	566	519	9%																																																																																				
	<u>\$ 2,104</u>	<u>\$ 2,104</u>	—%	<u>\$ 5,227</u>	<u>\$ 4,931</u>	6%																																																																																				
Net Written Premiums:																																																																																										
Property & Transportation	\$ 560	\$ 624	(10%)	\$ 1,306	\$ 1,341	(3%)																																																																																				
Specialty Casualty	695	624	11%	1,928	1,725	12%																																																																																				
Specialty Financial	153	150	2%	460	440	5%																																																																																				
Other	48	35	37%	121	84	44%																																																																																				
	<u>\$ 1,456</u>	<u>\$ 1,433</u>	2%	<u>\$ 3,815</u>	<u>\$ 3,590</u>	6%																																																																																				
Combined Ratio (GAAP):																																																																																										
Property & Transportation	100.0%	98.9%		95.5%	94.3%																																																																																					
Specialty Casualty	92.1%	99.5%		93.3%	97.1%																																																																																					
Specialty Financial	94.4%	102.2%		90.0%	90.4%																																																																																					
Aggregate Specialty Group	95.7%	99.3%		93.8%	95.2%																																																																																					
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	Three months ended September 30,		Nine months ended September 30,																																																																																							
	2018	2017	2018	2017																																																																																						
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Footnote (e) is contained in the accompanying Notes to Financial Schedules at the end of this release.

AMERICAN FINANCIAL GROUP, INC.
ANNUITY SEGMENT
(Dollars in Millions)

Components of Statutory Premiums

	Three months ended September 30,		Pct. Change	Nine months ended September 30,		Pct. Change
	2018	2017		2018	2017	
<u>Annuity Premiums:</u>						
Financial Institutions	\$ 574	\$ 442	30%	\$ 1,671	\$ 1,906	(12%)
Retail	371	237	57%	1,086	806	35%
Broker-Dealer	325	149	118%	946	565	67%
Pension Risk Transfer (PRT)	56	—	nm	57	—	nm
Education Market	46	41	12%	146	133	10%
Variable Annuities	6	7	nm	19	22	nm
Total Annuity Premiums	<u>\$ 1,378</u>	<u>\$ 876</u>	<u>57%</u>	<u>\$ 3,925</u>	<u>\$ 3,432</u>	<u>14%</u>

Components of Annuity Earnings Before Income Taxes

	Three months ended September 30,		Pct. Change	Nine months ended September 30,		Pct. Change
	2018	2017		2018	2017	
Revenues:						
Net investment income	\$ 413	\$ 375	10%	\$ 1,219	\$ 1,082	13%
Other income	27	26	4%	80	79	1%
Total revenues	440	401	10%	1,299	1,161	12%
Costs and Expenses:						
Annuity benefits	222	215	3%	664	635	5%
Acquisition expenses	69	54	28%	199	153	30%
Other expenses	32	30	7%	95	90	6%
Total costs and expenses	323	299	8%	958	878	9%
Annuity earnings before income taxes	<u>\$ 117</u>	<u>\$ 102</u>	<u>15%</u>	<u>\$ 341</u>	<u>\$ 283</u>	<u>20%</u>

Supplemental Annuity Information

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Net interest spread*	2.67%	2.69%	2.74%	2.63%
Net spread earned before impact of fair value accounting for FIAs and unlocking*	1.37%	1.36%	1.41%	1.32%
Impact of fair value accounting for FIAs	(0.02%)	(0.05%)	0.05%	(0.09%)
Unlocking	—%	—%	(0.11%)	—%
Net spread earned after impact of fair value accounting for FIAs and unlocking*	<u>1.35%</u>	<u>1.31%</u>	<u>1.35%</u>	<u>1.23%</u>

* Excludes fixed annuity portion of variable annuity business

AMERICAN FINANCIAL GROUP, INC.
Notes to Financial Schedules

a) Components of core net operating earnings (in millions):

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Core Operating Earnings before Income Taxes:				
P&C insurance segment	\$ 158	\$ 95	\$ 526	\$ 427
Annuity segment, before fair value accounting for FIAs and unlocking	119	106	354	305
Impact of fair value accounting for FIAs	(2)	(4)	14	(22)
Annuity unlocking	—	—	(27)	—
Interest & other corporate expenses*	(37)	(39)	(127)	(130)
Core operating earnings before income taxes	238	158	740	580
Related income taxes	40	63	138	189
Core net operating earnings	<u>\$ 198</u>	<u>\$ 95</u>	<u>\$ 602</u>	<u>\$ 391</u>

* Other Corporate Expenses includes income and expenses associated with AFG's run-off businesses.

b) Reflects the following effects of special A&E charges during the third quarter and first nine months of 2018 and 2017 (dollars in millions, except per share amounts):

	Pretax		After-tax		EPS	
	2018	2017	2018	2017	2018	2017
A&E Charges:						
P&C insurance run-off operations						
Asbestos	\$ 6	\$ 53	\$ 5	\$ 34		
Environmental	12	36	9	24		
	\$ 18	\$ 89	\$ 14	\$ 58	\$ 0.16	\$ 0.64
Former railroad & manufacturing operations						
Asbestos	\$ —	\$ 4	\$ —	\$ 3		
Environmental	9	20	7	13		
	\$ 9	\$ 24	\$ 7	\$ 16	\$ 0.08	\$ 0.18
Total A&E	\$ 27	\$ 113	\$ 21	\$ 74	\$ 0.24	\$ 0.82

c) The following table details the drivers of AFG's effective tax rate on GAAP earnings before income taxes as compared to the statutory tax rate:

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Statutory tax rate	21%	35%	21%	35%
Tax exempt interest	(1%)	(17%)	(1%)	(4%)
Dividends received deduction	—	(7%)	—	(1%)
Nondeductible expenses	—	7%	1%	1%
Stock-based compensation	—	(3%)	(1%)	(3%)
Foreign Operations	—	3%	—	2%
Change in valuation allowance	—	55%	—	4%
Adjustment to prior years	(4%)	(7%)	(1%)	(1%)
Other	1%	(4%)	—	(1%)
Effective tax rate	<u>17%</u>	<u>62%</u>	<u>19%</u>	<u>32%</u>

- d) Shareholders' Equity at September 30, 2018 includes \$93 million (\$1.04 per share) in unrealized after-tax gains on fixed maturities and \$32 million (\$0.36 per share) in unrealized after-tax losses on fixed maturity-related cash flow hedges. Shareholders' Equity at December 31, 2017 includes \$619 million (\$7.01 per share) in unrealized after-tax gains on fixed maturities and \$13 million (\$0.14 per share) in unrealized after-tax losses on fixed maturity-related cash flow hedges.
- e) Supplemental Notes:
- **Property & Transportation** includes primarily physical damage and liability coverage for buses, trucks and recreational vehicles, inland and ocean marine, agricultural-related products and other property coverages.
 - **Specialty Casualty** includes primarily excess and surplus, general liability, executive liability, professional liability, umbrella and excess liability, specialty coverages in targeted markets, customized programs for small to mid-sized businesses and workers' compensation insurance.
 - **Specialty Financial** includes risk management insurance programs for lending and leasing institutions (including equipment leasing and collateral and lender-placed mortgage property insurance), surety and fidelity products and trade credit insurance.
 - **Other** includes an internal reinsurance facility.

American Financial Group, Inc.
Investor Supplement - Third Quarter 2018



October 31, 2018

American Financial Group, Inc.
Corporate Headquarters
Great American Insurance Group Tower
301 E Fourth Street
Cincinnati, OH 45202
513 579 6739

<u>Section</u>	<u>Page</u>
Table of Contents - Investor Supplement - Third Quarter 2018	2
Financial Highlights	3
Summary of Earnings	4
Earnings Per Share Summary	5
Property and Casualty Insurance Segment	
Property and Casualty Insurance - Summary Underwriting Results (GAAP)	6
Specialty - Underwriting Results (GAAP)	7
Property and Transportation - Underwriting Results (GAAP)	8
Specialty Casualty - Underwriting Results (GAAP)	9
Specialty Financial - Underwriting Results (GAAP)	10
Other Specialty - Underwriting Results (GAAP)	11
Annuity Segment	
Annuity Earnings (GAAP)	12
Detail of Annuity Benefits Expense (GAAP)	13
Net Spread on Fixed Annuities (GAAP)	14
Annuity Premiums (Statutory)	15
Fixed Annuity Benefits Accumulated (GAAP)	16
Guaranteed Minimum Interest Rate Analysis	17
Consolidated Balance Sheet / Book Value / Debt	
Consolidated Balance Sheet	18
Book Value Per Share and Price / Book Summary	19
Capitalization	20
Additional Supplemental Information	21
Consolidated Investment Supplement	
Total Cash and Investments	22
Net Investment Income	23
Fixed Maturities - By Security Type - AFG Consolidated	24
Fixed Maturities - By Security Type Portfolio	25
Fixed Maturities - Credit Rating	26
Mortgage-Backed Securities - AFG Consolidated	27
Mortgage-Backed Securities Portfolio	28
Mortgage-Backed Securities - Credit Rating	29
Appendix	
A. Fixed Maturities - Credit Rating by Type	30



	Three Months Ended					Nine Months Ended	
	9/30/18	6/30/18	3/31/18	12/31/17	09/30/17	09/30/18	09/30/17
Highlights							
Net earnings	\$ 204	\$ 210	\$ 145	\$ 166	\$ 11	\$ 559	\$ 309
Core net operating earnings	198	185	219	197	95	602	391
Total assets	64,190	61,834	60,656	60,658	60,163	64,190	60,163
Adjusted shareholders' equity (a)	5,103	4,920	4,865	4,724	4,852	5,103	4,852
Property and Casualty net written premiums	1,456	1,257	1,102	1,161	1,433	3,815	3,590
Annuity statutory premiums	1,378	1,399	1,148	909	876	3,925	3,432
Per share data							
Diluted earnings per share	\$ 2.26	\$ 2.31	\$ 1.60	\$ 1.84	\$ 0.13	\$ 6.17	\$ 3.44
Core net operating earnings per share	2.19	2.04	2.42	2.20	1.06	6.65	4.35
Adjusted book value per share (a)	57.22	55.24	54.74	53.51	55.08	57.22	55.08
Cash dividends per common share	0.3500	1.8500	0.3500	2.3500	0.3125	2.5500	2.4375
Financial ratios							
Annualized return on equity (b)	16.3%	17.1%	12.3%	14.4%	1.0%	15.3%	8.9%
Annualized core operating return on equity (b)	15.8%	15.1%	18.6%	17.2%	8.1%	16.5%	11.2%
Property and Casualty combined ratio - Specialty:							
Loss & LAE ratio	64.3%	59.7%	57.8%	59.8%	71.4%	60.8%	64.0%
Underwriting expense ratio	31.4%	34.0%	33.9%	27.5%	27.9%	33.0%	31.2%
Combined ratio - Specialty	95.7%	93.7%	91.7%	87.3%	99.3%	93.8%	95.2%
Net spread on fixed annuities:							
Net interest spread	2.67%	2.81%	2.75%	2.62%	2.69%	2.74%	2.63%
Net spread earned:							
Before impact of fair value accounting and unlockings	1.37%	1.46%	1.38%	1.40%	1.36%	1.41%	1.32%
Impact of fair value accounting (c)	(0.02%)	0.04%	0.16%	(0.13%)	(0.05%)	0.05%	(0.09%)
Unlockings	0.00%	(0.32%)	0.00%	(0.06%)	0.00%	(0.11%)	0.00%
After impact of fair value accounting and unlockings	1.35%	1.18%	1.54%	1.21%	1.31%	1.35%	1.23%

(a) Excludes unrealized gains related to fixed maturity investments, a reconciliation to the GAAP measure is on page 19.

(b) Excludes accumulated other comprehensive income.

(c) Change in fair value of derivatives offset by the estimated related adjustments to amortization of deferred sales inducements and deferred policy acquisition costs.

American Financial Group, Inc.
Summary of Earnings
(\$ in millions)



	Three Months Ended				Nine Months Ended	
	09/30/18	06/30/18	3/31/18	12/31/17	09/30/17	09/30/17
Property and Casualty Insurance						
Underwriting profit	\$ 56	\$ 72	\$ 91	\$ 155	\$ 8	\$ 158
Net investment income	108	115	100	86	94	276
Other income (expense)	(6)	(7)	(3)	(8)	(7)	(7)
Property and Casualty Insurance operating earnings	158	180	188	233	95	427
Annuity earnings	117	99	125	97	102	283
Interest expense of parent holding companies	(15)	(16)	(15)	(20)	(21)	(65)
Other expense	(22)	(32)	(27)	(27)	(18)	(65)
Pre-tax core operating earnings	238	231	271	283	158	580
Income tax expense	40	46	52	86	63	189
Core net operating earnings	198	185	219	197	95	602
Non-core items, net of tax:						
Realized gains (losses) on securities	27	25	(74)	4	(8)	(1)
Special A&E charges:						
Property and Casualty Insurance run-off operations	(14)	—	—	—	(58)	(58)
Former Railroad and Manufacturing operations	(7)	—	—	—	(16)	(16)
Neon exited lines charge	—	—	—	18	—	—
Tax benefit related to Neon restructuring	—	—	—	56	—	—
Tax expense related to change in U.S. corporate tax rate	—	—	—	(83)	—	—
Loss on retirement of debt	—	—	—	(26)	(2)	(7)
Net earnings	\$ 204	\$ 210	\$ 145	\$ 166	\$ 11	\$ 309

American Financial Group, Inc.
Earnings Per Share Summary
(in millions, except per share information)



	Three Months Ended				Nine Months Ended		
	9/30/18	6/30/18	3/31/18	12/31/17	09/30/17	09/30/17	
Core net operating earnings	<u>\$ 198</u>	<u>\$ 185</u>	<u>\$ 219</u>	<u>\$ 197</u>	<u>\$ 95</u>	<u>\$ 602</u>	<u>\$ 391</u>
Net earnings	<u>\$ 204</u>	<u>\$ 210</u>	<u>\$ 145</u>	<u>\$ 166</u>	<u>\$ 11</u>	<u>\$ 559</u>	<u>\$ 309</u>
Average number of diluted shares	90.731	90.663	90.431	90.109	89.984	90.610	89.712
Diluted earnings per share:							
Core net operating earnings per share	<u>\$ 2.19</u>	<u>\$ 2.04</u>	<u>\$ 2.42</u>	<u>\$ 2.20</u>	<u>\$ 1.06</u>	<u>\$ 6.65</u>	<u>\$ 4.35</u>
Realized gains (losses) on securities	0.31	0.27	(0.82)	0.04	(0.08)	(0.24)	(0.01)
Special A&E charges:							
Property and Casualty Insurance run-off operations	(0.16)	—	—	—	(0.64)	(0.16)	(0.64)
Former Railroad and Manufacturing operations	(0.08)	—	—	—	(0.18)	(0.08)	(0.18)
Neon exited lines charge	—	—	—	0.19	—	—	—
Tax benefit related to Neon restructuring	—	—	—	0.62	—	—	—
Tax expense related to change in U.S. corporate tax rate	—	—	—	(0.92)	—	—	—
Loss on retirement of debt	—	—	—	(0.29)	(0.03)	—	(0.08)
Diluted earnings per share	<u>\$ 2.26</u>	<u>\$ 2.31</u>	<u>\$ 1.60</u>	<u>\$ 1.84</u>	<u>\$ 0.13</u>	<u>\$ 6.17</u>	<u>\$ 3.44</u>

American Financial Group, Inc.
Property and Casualty Insurance - Summary Underwriting Results (GAAP)
(\$ in millions)



	Three Months Ended					Nine Months Ended	
	9/30/18	6/30/18	3/31/18	12/31/17	09/30/17	09/30/18	09/30/17
Property and Transportation	\$ —	\$ 23	\$ 33	\$ 84	\$ 6	\$ 56	\$ 70
Specialty Casualty	49	29	41	58	2	119	46
Specialty Financial	9	22	15	19	(3)	46	42
Other Specialty	(3)	(1)	3	(5)	4	(1)	3
Underwriting profit - Specialty	55	73	92	156	9	220	161
Other core charges, included in loss and LAE	(1)	1	1	1	1	1	3
Underwriting profit - Core	56	72	91	155	8	219	158
Special A&E charges, included in loss and LAE	(18)	—	—	—	(89)	(18)	(89)
Neon exited lines charge, included in loss and LAE	—	—	—	18	—	—	—
Neon exited lines charge, included in underwriting expenses	—	—	—	—	—	—	—
Underwriting profit (loss) - Property and Casualty Insurance	\$ 38	\$ 72	\$ 91	\$ 173	\$ (81)	\$ 201	\$ 69
Included in results above:							
Current accident year catastrophe losses:							
Catastrophe reinstatement premium	\$ 3	\$ —	\$ —	\$ 4	\$ 6	\$ 3	\$ 6
Catastrophe loss	35	16	13	8	107	64	132
Total current accident year catastrophe losses	\$ 38	\$ 16	\$ 13	\$ 12	\$ 113	\$ 67	\$ 138
Prior year loss reserve development (favorable) / adverse	\$ (31)	\$ (44)	\$ (56)	\$ (66)	\$ 52	\$ (131)	\$ 2
Combined ratio:							
Property and Transportation	100.0%	93.9%	90.4%	82.6%	98.9%	95.5%	94.3%
Specialty Casualty	92.1%	95.1%	92.9%	90.0%	99.5%	93.3%	97.1%
Specialty Financial	94.4%	85.6%	90.2%	86.2%	102.2%	90.0%	90.4%
Other Specialty	103.0%	105.5%	90.7%	123.0%	85.1%	100.3%	95.8%
Combined ratio - Specialty	95.7%	93.7%	91.7%	87.3%	99.3%	93.8%	95.2%
Other core charges	0.0%	0.0%	0.1%	0.1%	0.1%	0.0%	0.1%
Neon exited lines charge, loss and LAE	0.0%	0.0%	0.0%	(1.4%)	0.0%	0.0%	0.0%
Neon exited lines charge, underwriting expenses	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Special A&E charges	1.5%	0.0%	0.0%	0.0%	7.0%	0.6%	2.6%
Combined ratio	97.2%	93.7%	91.8%	86.0%	106.4%	94.4%	97.9%
Combined ratio excl. catastrophe and prior year development	96.8%	96.2%	95.6%	90.8%	93.8%	96.3%	93.9%
Loss and LAE components - property and casualty insurance							
Current accident year, excluding catastrophe loss	65.4%	62.2%	61.7%	63.3%	65.9%	63.3%	62.7%
Prior accident year loss reserve development	(2.2%)	(3.9%)	(5.0%)	(5.4%)	4.2%	(3.7%)	0.1%
Current accident year catastrophe loss	2.6%	1.4%	1.2%	0.6%	8.4%	1.8%	3.9%
Loss and LAE ratio	65.8%	59.7%	57.9%	58.5%	78.5%	61.4%	66.7%

American Financial Group, Inc.
Specialty - Underwriting Results (GAAP)
(\$ in millions)



	Three Months Ended				Nine Months Ended		
	9/30/18	6/30/18	3/31/18	12/31/17	09/30/17	09/30/17	
Gross written premiums	\$ 2,104	\$ 1,665	\$ 1,458	\$ 1,571	\$ 2,104	\$ 5,227	\$ 4,931
Ceded reinsurance premiums	(648)	(408)	(356)	(410)	(671)	(1,412)	(1,341)
Net written premiums	1,456	1,257	1,102	1,161	1,433	3,815	3,590
Change in unearned premiums	(129)	(96)	5	64	(166)	(220)	(236)
Net earned premiums	1,327	1,161	1,107	1,225	1,267	3,595	3,354
Loss and LAE	855	692	640	733	905	2,187	2,147
Underwriting expense	417	396	375	336	353	1,188	1,046
Underwriting profit	\$ 55	\$ 73	\$ 92	\$ 156	\$ 9	\$ 220	\$ 161
Included in results above:							
Current accident year catastrophe losses:							
Catastrophe reinstatement premium	\$ 3	\$ —	\$ —	\$ 4	\$ 6	\$ 3	\$ 6
Catastrophe loss	35	16	13	8	107	64	132
Total current accident year catastrophe losses	\$ 38	\$ 16	\$ 13	\$ 12	\$ 113	\$ 67	\$ 138
Prior year loss reserve development (favorable) / adverse	\$ (49)	\$ (45)	\$ (57)	\$ (49)	\$ (38)	\$ (151)	\$ (90)
Combined ratio:							
Loss and LAE ratio	64.3%	59.7%	57.8%	59.8%	71.4%	60.8%	64.0%
Underwriting expense ratio	31.4%	34.0%	33.9%	27.5%	27.9%	33.0%	31.2%
Combined ratio	95.7%	93.7%	91.7%	87.3%	99.3%	93.8%	95.2%
Combined ratio excl. catastrophe and prior year development	96.8%	96.2%	95.6%	90.8%	93.8%	96.3%	93.9%
Loss and LAE components:							
Current accident year, excluding catastrophe loss	65.4%	62.2%	61.7%	63.3%	65.9%	63.3%	62.7%
Prior accident year loss reserve development	(3.7%)	(3.9%)	(5.1%)	(4.1%)	(2.9%)	(4.3%)	(2.6%)
Current accident year catastrophe loss	2.6%	1.4%	1.2%	0.6%	8.4%	1.8%	3.9%
Loss and LAE ratio	64.3%	59.7%	57.8%	59.8%	71.4%	60.8%	64.0%

American Financial Group, Inc.
Property and Transportation - Underwriting Results (GAAP)
(\$ in millions)



	Three Months Ended				Nine Months Ended		
	9/30/18	6/30/18	3/31/18	12/31/17	09/30/17	09/30/17	
Gross written premiums	\$ 953	\$ 615	\$ 426	\$ 626	\$ 1,073	\$ 1,994	\$ 2,062
Ceded reinsurance premiums	(393)	(193)	(102)	(202)	(449)	(688)	(721)
Net written premiums	560	422	324	424	624	1,306	1,341
Change in unearned premiums	(34)	(48)	26	61	(97)	(56)	(115)
Net earned premiums	526	374	350	485	527	1,250	1,226
Loss and LAE	406	239	220	325	407	865	847
Underwriting expense	120	112	97	76	114	329	309
Underwriting profit	\$ —	\$ 23	\$ 33	\$ 84	\$ 6	\$ 56	\$ 70
Included in results above:							
Current accident year catastrophe losses:							
Catastrophe reinstatement premium	\$ 1	\$ —	\$ —	\$ —	\$ 2	\$ 1	\$ 2
Catastrophe loss	12	10	5	(3)	23	27	39
Total current accident year catastrophe losses	\$ 13	\$ 10	\$ 5	\$ (3)	\$ 25	\$ 28	\$ 41
Prior year loss reserve development (favorable) / adverse	\$ (4)	\$ (21)	\$ (18)	\$ (4)	\$ (8)	\$ (43)	\$ (36)
Combined ratio:							
Loss and LAE ratio	77.1%	63.8%	63.0%	67.1%	77.3%	69.2%	69.1%
Underwriting expense ratio	22.9%	30.1%	27.4%	15.5%	21.6%	26.3%	25.2%
Combined ratio	100.0%	93.9%	90.4%	82.6%	98.9%	95.5%	94.3%
Combined ratio excl. catastrophe and prior year development	98.5%	96.8%	94.1%	84.0%	96.0%	96.8%	94.1%
Loss and LAE components:							
Current accident year, excluding catastrophe loss	75.6%	66.7%	66.7%	68.5%	74.4%	70.5%	68.9%
Prior accident year loss reserve development	(0.8%)	(5.6%)	(5.1%)	(0.8%)	(1.5%)	(3.5%)	(3.0%)
Current accident year catastrophe loss	2.3%	2.7%	1.4%	(0.6%)	4.4%	2.2%	3.2%
Loss and LAE ratio	77.1%	63.8%	63.0%	67.1%	77.3%	69.2%	69.1%

American Financial Group, Inc.
Specialty Casualty - Underwriting Results (GAAP)
(\$ in millions)



	Three Months Ended					Nine Months Ended	
	9/30/18	6/30/18	3/31/18	12/31/17	09/30/17	09/30/18	09/30/17
Gross written premiums	\$ 956	\$ 858	853	\$ 737	\$ 850	\$2,667	\$2,350
Ceded reinsurance premiums	(261)	(219)	(259)	(182)	(226)	(739)	(625)
Net written premiums	695	639	594	555	624	1,928	1,725
Change in unearned premiums	(79)	(44)	(15)	18	(56)	(138)	(112)
Net earned premiums	616	595	579	573	568	1,790	1,613
Loss and LAE	364	378	345	338	402	1,087	1,072
Underwriting expense	203	188	193	177	164	584	495
Underwriting profit	\$ 49	\$ 29	\$ 41	\$ 58	\$ 2	\$ 119	\$ 46
Included in results above:							
Current accident year catastrophe losses:							
Catastrophe reinstatement premium	\$ 1	\$ —	\$ —	\$ 4	\$ 2	\$ 1	\$ 2
Catastrophe loss	11	1	5	14	54	17	57
Total current accident year catastrophe losses	\$ 12	\$ 1	\$ 5	\$ 18	\$ 56	\$ 18	\$ 59
Prior year loss reserve development (favorable) / adverse	\$ (37)	\$ (15)	\$ (35)	\$ (52)	\$ (23)	\$ (87)	\$ (34)
Combined ratio:							
Loss and LAE ratio	59.2%	63.4%	59.5%	59.1%	70.7%	60.7%	66.4%
Underwriting expense ratio	32.9%	31.7%	33.4%	30.9%	28.8%	32.6%	30.7%
Combined ratio	92.1%	95.1%	92.9%	90.0%	99.5%	93.3%	97.1%
Combined ratio excl. catastrophe and prior year development	96.4%	97.5%	97.9%	96.7%	94.0%	97.2%	95.7%
Loss and LAE components:							
Current accident year, excluding catastrophe loss	63.5%	65.8%	64.5%	65.8%	65.2%	64.6%	65.0%
Prior accident year loss reserve development	(6.0%)	(2.5%)	(6.0%)	(9.2%)	(4.0%)	(4.8%)	(2.1%)
Current accident year catastrophe loss	1.7%	0.1%	1.0%	2.5%	9.5%	0.9%	3.5%
Loss and LAE ratio	59.2%	63.4%	59.5%	59.1%	70.7%	60.7%	66.4%

American Financial Group, Inc.
Specialty Financial - Underwriting Results (GAAP)
(\$ in millions)



	Three Months Ended					Nine Months Ended	
	9/30/18	6/30/18	3/31/18	12/31/17	09/30/17	09/30/18	09/30/17
Gross written premiums	\$ 195	\$ 192	179	\$ 208	\$ 181	\$ 566	\$ 519
Ceded reinsurance premiums	(42)	(33)	(31)	(52)	(31)	(106)	(79)
Net written premiums	153	159	148	156	150	460	440
Change in unearned premiums	(4)	—	1	(15)	(8)	(3)	(5)
Net earned premiums	149	159	149	141	142	457	435
Loss and LAE	60	54	60	47	79	174	180
Underwriting expense	80	83	74	75	66	237	213
Underwriting profit (loss)	\$ 9	\$ 22	\$ 15	\$ 19	\$ (3)	\$ 46	\$ 42
Included in results above:							
Current accident year catastrophe losses:							
Catastrophe reinstatement premium	\$ 1	\$ —	\$ —	\$ —	\$ 2	\$ 1	\$ 2
Catastrophe loss	12	3	3	(5)	29	18	35
Total current accident year catastrophe losses	\$ 13	\$ 3	\$ 3	\$ (5)	\$ 31	\$ 19	\$ 37
Prior year loss reserve development (favorable) / adverse	\$ (8)	\$ (8)	\$ (3)	\$ 1	\$ (5)	\$ (19)	\$ (22)
Combined ratio:							
Loss and LAE ratio	40.1%	33.9%	40.2%	33.1%	56.0%	38.0%	41.4%
Underwriting expense ratio	54.3%	51.7%	50.0%	53.1%	46.2%	52.0%	49.0%
Combined ratio	94.4%	85.6%	90.2%	86.2%	102.2%	90.0%	90.4%
Combined ratio excl. catastrophe and prior year development	91.5%	89.0%	90.2%	89.1%	84.9%	90.2%	87.4%
Loss and LAE components:							
Current accident year, excluding catastrophe loss	37.2%	37.3%	40.2%	36.0%	38.7%	38.2%	38.4%
Prior accident year loss reserve development	(5.1%)	(5.4%)	(1.8%)	0.8%	(3.1%)	(4.1%)	(5.0%)
Current accident year catastrophe loss	8.0%	2.0%	1.8%	(3.7%)	20.4%	3.9%	8.0%
Loss and LAE ratio	40.1%	33.9%	40.2%	33.1%	56.0%	38.0%	41.4%

American Financial Group, Inc.
Other Specialty - Underwriting Results (GAAP)
(\$ in millions)



	Three Months Ended					Nine Months Ended	
	9/30/18	6/30/18	3/31/18	12/31/17	09/30/17	09/30/18	09/30/17
Gross written premiums	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Ceded reinsurance premiums	48	37	36	26	35	121	84
Net written premiums	48	37	36	26	35	121	84
Change in unearned premiums	(12)	(4)	(7)	—	(5)	(23)	(4)
Net earned premiums	36	33	29	26	30	98	80
Loss and LAE	25	21	15	23	17	61	48
Underwriting expense	14	13	11	8	9	38	29
Underwriting profit (loss)	\$ (3)	\$ (1)	\$ 3	\$ (5)	\$ 4	\$ (1)	\$ 3
Included in results above:							
Current accident year catastrophe losses:							
Catastrophe reinstatement premium	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Catastrophe loss	—	2	—	2	1	2	1
Total current accident year catastrophe losses	\$ —	\$ 2	\$ —	\$ 2	\$ 1	\$ 2	\$ 1
Prior year loss reserve development (favorable) / adverse	\$ —	\$ (1)	\$ (1)	\$ 6	\$ (2)	\$ (2)	\$ 2
Combined ratio:							
Loss and LAE ratio	65.5%	68.7%	51.3%	86.2%	52.6%	62.5%	60.4%
Underwriting expense ratio	37.5%	36.8%	39.4%	36.8%	32.5%	37.8%	35.4%
Combined ratio	103.0%	105.5%	90.7%	123.0%	85.1%	100.3%	95.8%
Combined ratio excl. catastrophe and prior year development	103.7%	99.6%	96.6%	94.5%	90.4%	100.2%	92.3%

American Financial Group, Inc.
Annuity Earnings (GAAP)
(\$ in millions)



	Three Months Ended				Nine Months Ended		
	9/30/18	6/30/18	3/31/18	12/31/17	09/30/17	09/30/17	
Net investment income	\$ 413	\$ 412	\$ 394	\$ 376	\$ 375	\$ 1,219	\$ 1,082
Guaranteed withdrawal benefit fees	16	16	16	17	15	48	43
Policy charges and other miscellaneous income	11	11	10	7	11	32	36
Total revenues	440	439	420	400	401	1,299	1,161
Annuity benefits	222	260	182	257	215	664	635
Acquisition expenses	69	49	81	15	54	199	153
Other expenses	32	31	32	31	30	95	90
Total costs and expenses	323	340	295	303	299	958	878
Annuity earnings before income taxes	\$ 117	\$ 99	\$ 125	\$ 97	\$ 102	\$ 341	\$ 283
Detail of Annuity earnings before income taxes							
Earnings before income taxes, impact of fair value accounting and unlockings	\$ 119	\$ 123	\$ 112	\$ 111	\$ 106	\$ 354	\$ 305
Impact of fair value accounting (a)	(2)	3	13	(11)	(4)	14	(22)
Unlockings	—	(27)	—	(3)	—	(27)	—
Earnings before income taxes	<u>\$ 117</u>	<u>\$ 99</u>	<u>\$ 125</u>	<u>\$ 97</u>	<u>\$ 102</u>	<u>\$ 341</u>	<u>\$ 283</u>

(a) Changes in fair value of derivatives, offset by an estimate of the related acceleration/deceleration of the amortization of deferred policy acquisition costs and the deferred sales inducements, were as follows:

Interest on Embedded Derivative liability	\$ (10)	\$ (8)	\$ (7)	\$ (5)	\$ (4)	\$ (25)	\$ (11)
Impact of changes in interest rates higher (lower) than expected	(2)	12	27	(12)	(10)	37	(38)
Change in markets ⁽¹⁾	12	6	(2)	9	6	16	20
Renewal option purchases lower (higher) than expected	—	(3)	(4)	—	1	(7)	4
Other ⁽²⁾	(2)	(4)	(1)	(3)	3	(7)	3
Impact of Fair Value accounting, as reported	<u>\$ (2)</u>	<u>\$ 3</u>	<u>\$ 13</u>	<u>\$ (11)</u>	<u>\$ (4)</u>	<u>\$ 14</u>	<u>\$ (22)</u>
Embedded Derivative liability balance at end of period	\$3,105	\$2,776	\$2,549	\$2,542	\$2,293	\$3,105	\$2,293

(1) Reflects impact of changes in stock market, including volatility

(2) Includes impact of actual vs. expected lapse activity

American Financial Group, Inc.
Detail of Annuity Benefits Expense (GAAP)
(\$ in millions)



	Three Months Ended					Nine Months Ended	
	9/30/18	6/30/18	3/31/18	12/31/17	09/30/17	09/30/18	09/30/17
Detail of annuity benefits expense:							
Interest credited - fixed	\$ 179	\$ 173	\$ 166	\$ 164	\$ 160	\$ 518	\$ 469
Interest credited - fixed component of variable annuities	1	2	1	1	1	4	4
Change in expected death and annuitization reserve	5	4	4	5	5	13	13
Amortization of sales inducements	5	5	5	5	4	15	14
Guaranteed withdrawal benefit reserve	18	19	23	16	18	60	51
Change in other benefit reserves	10	11	8	9	16	29	36
Unlockings (a)	—	54	—	35	—	54	—
Subtotal before impact of fair value accounting	218	268	207	235	204	693	587
Embedded derivative mark-to-market (b)	223	82	(63)	178	127	242	386
Equity option mark-to-market	(219)	(90)	38	(156)	(116)	(271)	(338)
Subtotal impact of fair value accounting	4	(8)	(25)	22	11	(29)	48
Total annuity benefits expense	\$ 222	\$ 260	\$ 182	\$ 257	\$ 215	\$ 664	\$ 635

(a) Includes unlockings for fixed indexed annuity embedded derivative reserves, sales inducement asset and other reserves. Does not include unlocking income of \$27 million in 2018 and \$32 million in 2017 for deferred policy acquisition costs and unearned revenue reserves. These unlockings are included in acquisition expenses and other income. In total, AFG recorded an unlocking expense of \$27 million in 2018 and \$3 million in 2017.

(b) Excludes unlocking impact of \$44 million in 2018 and \$25 million in 2017.

American Financial Group, Inc.
Net Spread on Fixed Annuities (GAAP)
(\$ in millions)



	Three Months Ended					Nine Months Ended	
	9/30/18	6/30/18	3/31/18	12/31/17	09/30/17	09/30/18	09/30/17
Average fixed annuity investments (at amortized cost) (a)	\$34,955	\$33,935	\$33,002	\$32,245	\$31,713	\$33,964	\$30,919
Average annuity benefits accumulated	35,226	34,165	33,329	32,680	32,029	34,240	31,141
Annuity benefits accumulated in excess of investments (a)	<u>\$ (271)</u>	<u>\$ (230)</u>	<u>\$ (327)</u>	<u>\$ (435)</u>	<u>\$ (316)</u>	<u>\$ (276)</u>	<u>\$ (222)</u>
As % of average annuity benefits accumulated (except as noted)							
Net investment income (as % of investments)	4.70%	4.83%	4.74%	4.62%	4.70%	4.76%	4.64%
Interest credited	(2.03%)	(2.02%)	(1.99%)	(2.00%)	(2.01%)	(2.02%)	(2.01%)
Net interest spread on fixed annuities	2.67%	2.81%	2.75%	2.62%	2.69%	2.74%	2.63%
Policy charges and other miscellaneous income	0.09%	0.10%	0.10%	0.10%	0.10%	0.10%	0.12%
Other annuity benefit expenses, net	(0.24%)	(0.27%)	(0.29%)	(0.21%)	(0.33%)	(0.26%)	(0.31%)
Acquisition expenses	(0.76%)	(0.89%)	(0.94%)	(0.60%)	(0.65%)	(0.86%)	(0.63%)
Other expenses	(0.36%)	(0.35%)	(0.38%)	(0.37%)	(0.36%)	(0.37%)	(0.38%)
Change in fair value of derivatives	(0.05%)	0.10%	0.30%	(0.27%)	(0.14%)	0.11%	(0.20%)
Unlockings	0.00%	(0.32%)	0.00%	(0.06%)	0.00%	(0.11%)	0.00%
Net spread earned on fixed annuities	1.35%	1.18%	1.54%	1.21%	1.31%	1.35%	1.23%
Average annuity benefits accumulated	\$ 35,226	\$ 34,165	\$ 33,329	\$ 32,680	\$ 32,029	\$ 34,240	\$ 31,141
Net spread earned on fixed annuities	1.35%	1.18%	1.54%	1.21%	1.31%	1.35%	1.23%
Earnings on fixed annuity benefits accumulated	\$ 119	\$ 101	\$ 128	\$ 99	\$ 105	\$ 348	\$ 288
Annuity benefits accumulated in excess of investments	\$ (271)	\$ (230)	\$ (327)	\$ (435)	\$ (316)	\$ (276)	\$ (222)
Net investment income (as % of investments)	4.70%	4.83%	4.74%	4.62%	4.70%	4.76%	4.64%
Earnings (loss) on annuity benefits accumulated in excess of investments	\$ (3)	\$ (3)	\$ (4)	\$ (5)	\$ (4)	\$ (10)	\$ (8)
Variable annuity earnings	1	1	1	3	1	3	3
Earnings before income taxes	\$ 117	\$ 99	\$ 125	\$ 97	\$ 102	\$ 341	\$ 283
Detail of net spread earned on fixed annuities							
Net spread earned - before impact of fair value accounting and unlockings	1.37%	1.46%	1.38%	1.40%	1.36%	1.41%	1.32%
Change in fair value of derivatives	(0.05%)	0.10%	0.30%	(0.27%)	(0.14%)	0.11%	(0.20%)
Estimated net offsets to deferred sales inducements and deferred policy acquisition costs	0.03%	(0.06%)	(0.14%)	0.14%	0.09%	(0.06%)	0.11%
Unlockings	0.00%	(0.32%)	0.00%	(0.06%)	0.00%	(0.11%)	0.00%
Net spread earned - after impact of fair value accounting and unlockings	<u>1.35%</u>	<u>1.18%</u>	<u>1.54%</u>	<u>1.21%</u>	<u>1.31%</u>	<u>1.35%</u>	<u>1.23%</u>

(a) Excludes non-investment assets such as deferred acquisition costs, FIA options, accrued investment income and company owned life insurance.

American Financial Group, Inc.
Annuity Premiums (Statutory)
(\$ in millions)



	Three Months Ended					Nine Months Ended	
	9/30/18	6/30/18	3/31/18	12/31/17	09/30/17	09/30/18	09/30/17
Retail single premium annuities - indexed				\$	\$	\$	
	\$ 354	\$ 378	\$ 294	239	219	1,026	\$ 751
Retail single premium annuities - fixed	17	22	21	16	18	60	55
Broker dealer single premium annuities - indexed	322	355	259	174	148	936	559
Broker dealer single premium annuities - fixed	3	4	3	1	1	10	6
Financial institutions single premium annuities - indexed	460	448	413	364	360	1,321	1,347
Financial institutions single premium annuities - fixed	114	131	105	63	82	350	559
Pension risk transfer (PRT)	56	1	—	5	—	57	—
Education market - fixed and indexed annuities	46	54	46	41	41	146	133
Subtotal fixed annuity premiums	1,372	1,393	1,141	903	869	3,906	3,410
Variable annuities	6	6	7	6	7	19	22
Total annuity premiums	\$1,378	\$1,399	\$1,148	\$ 909	\$ 876	\$3,925	\$ 3,432
Summary by Distribution Channel:							
Retail	\$ 371	\$ 400	\$ 315	\$ 255	\$ 237	\$ 1,086	\$ 806
Broker dealer	325	359	262	175	149	946	565
Financial institutions	574	579	518	427	442	1,671	1,906
Other	108	61	53	52	48	222	155
Total annuity premiums	\$1,378	\$1,399	\$1,148	\$ 909	\$ 876	\$3,925	\$ 3,432
Summary by Product Type:							
Total indexed	\$1,164	\$1,213	\$ 992	\$ 802	\$ 746	\$3,369	\$ 2,721
Total fixed	208	180	149	101	123	537	689
Variable	6	6	7	6	7	19	22
Total annuity premiums	\$1,378	\$1,399	\$1,148	\$ 909	\$ 876	\$3,925	\$ 3,432

American Financial Group, Inc.
Fixed Annuity Benefits Accumulated (GAAP)
(\$ in millions)



	Three Months Ended					Nine Months Ended	
	9/30/18	6/30/18	3/31/18	12/31/17	09/30/17	09/30/18	09/30/17
Beginning fixed annuity reserves	\$34,678	\$33,652	\$33,005	\$32,354	\$31,704	\$33,005	\$29,647
Premiums	1,372	1,393	1,141	903	869	3,906	3,410
Federal Home Loan Bank ("FHLB") advances (paydowns)	—	—	—	(64)	—	—	—
Surrenders, benefits and other withdrawals	(707)	(706)	(627)	(596)	(540)	(2,040)	(1,650)
Interest and other annuity benefit expenses:							
Interest credited	179	173	166	164	160	518	469
Embedded derivative mark-to-market	223	82	(63)	178	127	242	386
Change in other benefit reserves	29	29	30	25	34	88	92
Unlockings	—	55	—	41	—	55	—
Ending fixed annuity reserves	\$35,774	\$34,678	\$33,652	\$33,005	\$32,354	\$35,774	\$32,354
Reconciliation to annuity benefits accumulated:							
Ending fixed annuity reserves	\$35,774	\$34,678	\$33,652	\$33,005	\$32,354	\$35,774	\$32,354
Impact of unrealized investment gains on reserves	8	32	71	133	138	8	138
Fixed component of variable annuities	176	176	178	178	179	176	179
Annuity benefits accumulated per balance sheet	\$35,958	\$34,886	\$33,901	\$33,316	\$32,671	\$35,958	\$32,671
Annualized surrenders and other withdrawals as a % of beginning reserves	8.2%	8.4%	7.6%	7.4%	6.8%	8.2%	7.4%

American Financial Group, Inc.
Guaranteed Minimum Interest Rate (“GMIR”) Analysis
(\$ in millions)



GMIR	9/30/18	6/30/18	3/31/18	12/31/17	9/30/17	6/30/17
1 - 1.99%	78%	78%	77%	76%	75%	75%
2 - 2.99%	4%	4%	5%	5%	5%	5%
3 - 3.99%	9%	9%	9%	10%	10%	10%
4.00% and above	9%	9%	9%	9%	10%	10%
Annuity Benefits Accumulated	\$35,958	\$34,886	\$33,901	\$33,316	\$32,671	\$32,014
Traditional Fixed and FIA Surrender Value (a) (b)	\$27,434	\$26,502	\$25,582	\$25,138	\$24,428	\$23,925
Ability to Lower Average Crediting Rates by (a) (c)	1.16%	1.09%	1.00%	0.92%	0.88%	0.86%
Pretax earnings impact of crediting guaranteed minimums (a)	\$ 317	\$ 288	\$ 255	\$ 230	\$ 216	\$ 206

(assumes net DAC impact over time = \$0)

- (a) Excludes Annuities with Guaranteed Withdrawal Benefits, FHLB advances, immediate reserves and certain other reserves.
- (b) FIA Surrender Value include Host + Embedded Derivatives + Fixed Account values.
- (c) Weighted Average Crediting Rate less GMIR

American Financial Group, Inc.
Consolidated Balance Sheet
(\$ in millions)



	<u>9/30/18</u>	<u>6/30/18</u>	<u>3/31/18</u>	<u>12/31/17</u>	<u>09/30/17</u>	<u>06/30/17</u>
Assets:						
Total cash and investments	\$47,841	\$46,779	\$45,949	\$46,048	\$45,253	\$44,779
Recoverables from reinsurers	3,352	3,073	3,173	3,369	3,262	2,839
Prepaid reinsurance premiums	717	645	614	600	691	587
Agents' balances and premiums receivable	1,299	1,266	1,113	1,146	1,173	1,124
Deferred policy acquisition costs	1,669	1,582	1,417	1,216	1,119	1,156
Assets of managed investment entities	4,998	5,032	5,090	4,902	4,767	4,873
Other receivables	1,633	1,048	918	1,030	1,545	923
Variable annuity assets (separate accounts)	650	636	632	644	628	620
Other assets	1,832	1,574	1,551	1,504	1,526	1,518
Goodwill	199	199	199	199	199	199
Total assets	<u>\$64,190</u>	<u>\$61,834</u>	<u>\$60,656</u>	<u>\$60,658</u>	<u>\$60,163</u>	<u>\$58,618</u>
Liabilities and Equity:						
Unpaid losses and loss adjustment expenses	\$ 9,670	\$ 9,093	\$ 9,193	\$ 9,678	\$ 9,563	\$ 8,730
Unearned premiums	2,740	2,539	2,413	2,410	2,567	2,294
Annuity benefits accumulated	35,958	34,886	33,901	33,316	32,671	32,014
Life, accident and health reserves	643	647	656	658	667	676
Payable to reinsurers	932	721	661	743	906	681
Liabilities of managed investment entities	4,807	4,840	4,869	4,687	4,506	4,685
Long-term debt	1,302	1,301	1,301	1,301	1,284	1,405
Variable annuity liabilities (separate accounts)	650	636	632	644	628	620
Other liabilities	2,324	2,087	1,847	1,887	1,992	2,201
Total liabilities	<u>\$59,026</u>	<u>\$56,750</u>	<u>\$55,473</u>	<u>\$55,324</u>	<u>\$54,784</u>	<u>\$53,306</u>
Redeemable noncontrolling interests	\$ —	\$ —	\$ —	\$ 3	\$ —	\$ —
Shareholders' equity:						
Common stock	\$ 89	\$ 89	\$ 89	\$ 88	\$ 88	\$ 88
Capital surplus	1,231	1,220	1,205	1,181	1,167	1,158
Retained earnings	3,800	3,628	3,584	3,248	3,435	3,451
Unrealized gains - equities	—	—	—	221	173	158
Unrealized gains - fixed maturities	93	191	342	619	533	481
Unrealized gains (losses) - fixed maturity-related cash flow hedges	(32)	(27)	(24)	(13)	(6)	(6)
Other comprehensive income, net of tax	(17)	(17)	(13)	(14)	(11)	(18)
Total shareholders' equity	<u>5,164</u>	<u>5,084</u>	<u>5,183</u>	<u>5,330</u>	<u>5,379</u>	<u>5,312</u>
Noncontrolling interests	—	—	—	1	—	—
Total liabilities and equity	<u>\$64,190</u>	<u>\$61,834</u>	<u>\$60,656</u>	<u>\$60,658</u>	<u>\$60,163</u>	<u>\$58,618</u>

American Financial Group, Inc.
Book Value Per Share and Price / Book Summary
(in millions, except per share information)



	<u>9/30/18</u>	<u>6/30/18</u>	<u>3/31/18</u>	<u>12/31/17</u>	<u>09/30/17</u>	<u>06/30/17</u>
Shareholders' equity	\$ 5,164	\$ 5,084	\$ 5,183	\$ 5,330	\$ 5,379	\$ 5,312
Unrealized (gains) related to fixed maturities	(61)	(164)	(318)	(606)	(527)	(475)
Adjusted shareholders' equity	5,103	4,920	4,865	4,724	4,852	4,837
Goodwill	(199)	(199)	(199)	(199)	(199)	(199)
Intangibles	(31)	(34)	(36)	(26)	(29)	(30)
Tangible adjusted shareholders' equity	\$ 4,873	\$ 4,687	\$ 4,630	\$ 4,499	\$ 4,624	\$ 4,608
Common shares outstanding	89.189	89.072	88.881	88.275	88.093	88.007
Book value per share:						
Book value per share	\$ 57.90	\$ 57.08	\$ 58.32	\$ 60.38	\$ 61.06	\$ 60.36
Adjusted (a)	57.22	55.24	54.74	53.51	55.08	54.97
Tangible, adjusted (b)	54.64	52.63	52.10	50.95	52.50	52.36
Market capitalization						
AFG's closing common share price	\$ 110.97	\$ 107.33	\$ 112.22	\$ 108.54	\$ 103.45	\$ 99.37
Market capitalization	\$ 9,897	\$ 9,560	\$ 9,974	\$ 9,581	\$ 9,113	\$ 8,745
Price / Adjusted book value ratio	1.94	1.94	2.05	2.03	1.88	1.81

(a) Excludes unrealized gains related to fixed maturity investments.

(b) Excludes unrealized gains related to fixed maturity investments, goodwill and intangibles.

American Financial Group, Inc.

Capitalization

(\$ in millions)



	<u>9/30/18</u>	<u>6/30/18</u>	<u>3/31/18</u>	<u>12/31/17</u>	<u>09/30/17</u>	<u>06/30/17</u>
AFG senior obligations	\$1,018	\$1,018	\$1,018	\$1,018	\$1,003	\$1,128
Borrowings drawn under credit facility	—	—	—	—	—	—
Debt excluding subordinated debt	\$1,018	\$1,018	\$1,018	\$1,018	\$1,003	\$1,128
AFG subordinated debentures	300	300	300	300	300	300
Total principal amount of long-term debt	\$1,318	\$1,318	\$1,318	\$1,318	\$1,303	\$1,428
Shareholders' equity	5,164	5,084	5,183	5,330	5,379	5,312
Noncontrolling interests (including redeemable NCI)	—	—	—	4	—	—
Less:						
Unrealized (gains) - fixed maturity investments	(93)	(191)	(342)	(619)	(533)	(481)
Total adjusted capital	\$6,389	\$6,211	\$6,159	\$6,033	\$6,149	\$6,259
Ratio of debt to total adjusted capital:						
Including subordinated debt	20.6%	21.2%	21.4%	21.8%	21.2%	22.8%
Excluding subordinated debt	15.9%	16.4%	16.5%	16.9%	16.3%	18.0%



	Three Months Ended				Nine Months Ended		
	9/30/18	6/30/18	3/31/18	12/31/17	09/30/17	09/30/17	
<u>Property and Casualty Insurance</u>							
Paid Losses (GAAP)	\$ 614	\$ 629	\$ 640	\$ 726	\$ 596	\$ 1,883	\$ 1,802
<u>Statutory Surplus</u>							
Property and Casualty Insurance	\$2,885	\$2,797	\$2,781	\$2,729	\$2,817	\$2,882	\$2,882
AFG's principal annuity subsidiaries (total adjusted capital)	\$2,703	\$2,511	\$2,442	\$2,442	\$2,433	\$2,389	\$2,389
<u>Allowable dividends without regulatory approval</u>							
Property and Casualty Insurance	\$ 563	\$ 563	\$ 563	\$ 563	\$ 496	\$ 496	\$ 496
Annuity and Run-off	263	263	263	263	197	197	197
Total	\$ 826	\$ 826	\$ 826	\$ 826	\$ 693	\$ 693	\$ 693

American Financial Group, Inc.
Total Cash and Investments
(\$ in millions)



	Carrying Value - September 30, 2018					
	Property and Casualty Insurance	Annuity and Run-off	Parent and Other Non- Insurance	Consolidate CLOs	Total AFG Consolidated	% of Investment Portfolio
Total cash and investments:						
Cash and cash equivalents	\$ 1,008	\$ 669	\$ 332	\$ —	\$ 2,009	4%
Fixed maturities - Available for sale	7,413	32,819	12	—	40,244	84%
Fixed maturities - Trading	48	55	—	—	103	0%
Equity securities	1,034	736	57	—	1,827	4%
Investments accounted for using the equity method	520	769	—	—	1,289	3%
Mortgage loans	306	846	—	—	1,152	2%
Policy loans	—	176	—	—	176	0%
Equity index call options	—	759	—	—	759	2%
Real estate and other investments	136	273	63	(190)	282	1%
Total cash and investments	\$ 10,465	\$ 37,102	\$ 464	\$ (190)	\$ 47,841	100%

	Carrying Value— December 31, 2017					
	Property and Casualty Insurance	Annuity and Run-off	Parent and Other Non- Insurance	Consolidate CLOs	Total AFG Consolidated	% of Investment Portfolio
Total cash and investments:						
Cash and cash equivalents	\$ 1,398	\$ 625	\$ 315	\$ —	\$ 2,338	5%
Fixed maturities - Available for sale	7,142	31,223	14	—	38,379	83%
Fixed maturities - Trading	232	116	—	—	348	1%
Equity securities	1,012	594	56	—	1,662	4%
Investments accounted for using the equity method	404	595	—	—	999	2%
Mortgage loans	308	817	—	—	1,125	2%
Policy loans	—	184	—	—	184	0%
Equity index call options	—	701	—	—	701	2%
Real estate and other investments	158	311	57	(214)	312	1%
Total cash and investments	\$ 10,654	\$ 35,166	\$ 442	\$ (214)	\$ 46,048	100%
Unrealized gain/(loss) on equity securities	\$ 165	\$ 114	\$ —	\$ —	\$ 279	

Note: On January 1, 2018, AFG adopted Accounting Standards Update (“ASU”) 2016-01, which requires all equity securities other than those accounted for under the equity method to be reported at fair value with holding gains and losses recognized in net earnings.

	Three Months Ended				Nine Months Ended		
	9/30/18	6/30/18	3/31/18	12/31/17	09/30/17	09/30/17	
Property and Casualty Insurance:							
Gross Investment Income							
Fixed maturities - Available for sale	\$ 72	\$ 72	\$ 66	\$ 65	\$ 65	\$ 210	\$ 193
Fixed maturities - Trading	—	2	—	—	—	2	3
Equity securities	12	16	13	13	12	41	38
Equity in investees	16	18	17	4	8	51	23
Other investments (a)	10	9	6	8	11	25	25
Gross investment income	110	117	102	90	96	329	282
Investment expenses	(2)	(2)	(2)	(4)	(2)	(6)	(6)
Total net investment income	\$ 108	\$ 115	\$ 100	\$ 86	\$ 94	\$ 323	\$ 276
Average cash and investments (b)	\$10,388	\$10,346	\$10,422	\$10,062	\$ 9,851	\$10,405	\$ 9,853
Average yield (c)	4.16%	4.45%	3.84%	3.42%	3.82%	4.14%	3.73%
Fixed Annuity:							
Gross Investment Income							
Fixed maturities - Available for sale	\$ 361	\$ 350	\$ 338	\$ 342	\$ 332	\$ 1,049	\$ 972
Equity securities	6	18	8	7	5	32	15
Equity in investees	25	23	29	9	12	77	28
Other investments (a)	22	22	19	19	26	63	67
Gross investment income	414	413	394	377	375	1,221	1,082
Investment expenses	(3)	(3)	(3)	(4)	(2)	(9)	(7)
Total net investment income	\$ 411	\$ 410	\$ 391	\$ 373	\$ 373	\$ 1,212	\$ 1,075
Average cash and investments (b)	\$34,955	\$33,935	\$33,002	\$32,245	\$31,713	\$33,964	\$30,919
Average yield (c)	4.70%	4.83%	4.74%	4.62%	4.70%	4.76%	4.64%
AFG consolidated net investment income:							
Property & Casualty	\$ 108	\$ 115	\$ 100	\$ 86	\$ 94	\$ 323	\$ 276
Annuity:							
Fixed Annuity	411	410	391	373	373	1,212	1,075
Variable Annuity	2	2	3	3	2	7	7
Parent & other	10	7	4	10	7	21	24
Consolidate CLOs	(4)	(4)	(3)	(7)	(5)	(11)	(16)
Total net investment income	\$ 527	\$ 530	\$ 495	\$ 465	\$ 471	\$ 1,552	\$ 1,366

- (a) Includes income from mortgage loans, real estate, policy loans, affiliated CLO's, short-term investments, and cash equivalents.
(b) Average cash and investments is the average of the beginning and ending quarter balances, or the average of the five quarters balances.
(c) Average yield is calculated by dividing investment income for the quarter by the average cash and investment balance over the quarter.

American Financial Group, Inc.
Fixed Maturities - By Security Type - AFG Consolidated
(\$ in millions)



September 30, 2018	Amortized Cost	Fair Value	Unrealized Gain (Loss)	% of Fair Value	Investment Portfolio
US Government and government agencies	\$ 248	\$ 244	\$ (4)	1%	1%
States, municipalities and political subdivisions	6,781	6,800	19	17%	14%
Foreign government	161	163	2	0%	0%
Residential mortgage-backed securities	2,410	2,711	301	7%	6%
Commercial mortgage-backed securities	913	923	10	2%	2%
Asset-backed securities	9,249	9,307	58	23%	19%
Corporate and other bonds	20,394	20,199	(195)	50%	42%
Total AFG consolidated	\$ 40,156	\$ 40,347	\$ 191	100%	84%

Annualized yield on available for sale fixed maturities:

Excluding investment expense (a)	4.43%
Net of investment expense (a)	4.38%

Approximate average life and duration:

Approximate average life	6 years
Approximate duration	4.5 years

December 31, 2017	Amortized Cost	Fair Value	Unrealized Gain (Loss)	% of Fair Value	% of Investment Portfolio
US Government and government agencies	\$ 293	\$ 291	\$ (2)	1%	1%
States, municipalities and political subdivisions	6,912	7,148	236	18%	15%
Foreign government	239	242	3	1%	1%
Residential mortgage-backed securities	2,887	3,230	343	8%	7%
Commercial mortgage-backed securities	928	963	35	2%	2%
Asset-backed securities	7,836	7,962	126	21%	17%
Corporate and other bonds	18,291	18,891	600	49%	41%
Total AFG consolidated	\$ 37,386	\$ 38,727	\$ 1,341	100%	84%

Annualized yield on available for sale fixed maturities:

Excluding investment expense (a)	4.51%
Net of investment expense (a)	4.43%

Approximate average life and duration:

Approximate average life	6.5 years
Approximate duration	5 years

- (a) Annualized yield is calculated by dividing investment income for the quarter by the average cost over the quarter. Average cost is the average of the beginning and ending quarter asset balances.

American Financial Group, Inc.
Fixed Maturities - By Security Type Portfolio
(\$ in millions)



	September 30, 2018				December 31, 2017			
	Amortized Cost	Fair Value	Unrealized Gain (Loss)	% of Fair Value	Amortized Cost	Fair Value	Unrealized Gain (Loss)	% of Fair Value
Property and Casualty Insurance:								
US Government and government agencies	\$ 205	\$ 202	(3)	3%	\$ 244	\$ 243	\$ (1)	3%
States, municipalities and political subdivisions	2,581	2,572	(9)	34%	2,740	2,798	58	38%
Foreign government	150	150	—	2%	228	229	1	3%
Residential mortgage-backed securities	717	784	67	11%	843	918	75	13%
Commercial mortgage-backed securities	84	85	1	1%	93	95	2	1%
Asset-backed securities	2,192	2,179	(13)	29%	1,716	1,724	8	23%
Corporate and other bonds	1,502	1,489	(13)	20%	1,349	1,367	18	19%
Property and Casualty Insurance	\$ 7,431	\$ 7,461	\$ 30	100%	\$ 7,213	\$ 7,374	\$ 161	100%

Annualized yield on available for sale fixed maturities:

Excluding investment expense		
(a)	3.88%	3.73%
Net of investment expense (a)	3.80%	3.54%
Tax equivalent, net of investment expense (b)	4.00%	4.03%

Approximate average life and duration:

Approximate average life	4.5 years	5 years
Approximate duration	3.5 years	4 years

	September 30, 2018				December 31, 2017			
	Amortized Cost	Fair Value	Unrealized Gain (Loss)	% of Fair Value	Amortized Cost	Fair Value	Unrealized Gain (Loss)	% of Fair Value
Annuity and Run-off:								
US Government and government agencies	\$ 43	\$ 42	\$ (1)	0%	\$ 48	\$ 47	\$ (1)	0%
States, municipalities and political subdivisions	4,200	4,228	28	13%	4,172	4,350	178	14%
Foreign government	11	13	2	0%	11	13	2	0%
Residential mortgage-backed securities	1,690	1,915	225	6%	2,041	2,299	258	7%
Commercial mortgage-backed securities	829	838	9	2%	835	868	33	3%
Asset-backed securities	7,057	7,128	71	22%	6,120	6,238	118	20%
Corporate and other bonds	18,892	18,710	(182)	57%	16,942	17,524	582	56%
Total Annuity and Run-off	\$ 32,722	\$ 32,874	\$ 152	100%	\$ 30,169	\$ 31,339	\$ 1,170	100%

Annualized yield on available for sale fixed maturities:

Excluding investment expense		
(a)	4.55%	4.66%
Net of investment expense (a)	4.51%	4.61%

Approximate average life and duration:

Approximate average life	6.5 years	6.5 years
Approximate duration	4.5 years	5 years

- (a) Annualized yield is calculated by dividing investment income for the quarter by the average cost over the quarter. Average cost is the average of the beginning and ending quarter asset balances.
- (b) Adjusts the yield on tax-exempt bonds to the fully taxable equivalent yield.

American Financial Group, Inc.
Fixed Maturities - Credit Rating
(\$ in millions)



September 30, 2018

<u>By Credit Rating (a)</u>	<u>Amortized Cost</u>	<u>Fair Value</u>	<u>Unrealized Gain (Loss)</u>	<u>% of Fair Value</u>
Investment grade				
AAA	\$ 6,791	\$ 6,766	\$ (25)	17%
AA	8,468	8,522	54	21%
A	9,805	9,764	(41)	24%
BBB	11,373	11,294	(79)	28%
Subtotal - Investment grade	36,437	36,346	(91)	90%
BB	725	723	(2)	2%
B	264	267	3	1%
Other (b)	2,730	3,011	281	7%
Subtotal - Non-Investment grade	3,719	4,001	282	10%
Total	\$ 40,156	\$ 40,347	\$ 191	100%

98% of the fixed maturity portfolio is NAIC designated 1 or 2.

December 31, 2017

<u>By Credit Rating (a)</u>	<u>Amortized Cost</u>	<u>Fair Value</u>	<u>Unrealized Gain (Loss)</u>	<u>% of Fair Value</u>
Investment grade				
AAA	\$ 6,253	\$ 6,356	\$ 103	16%
AA	8,150	8,411	261	22%
A	9,149	9,447	298	25%
BBB	10,146	10,496	350	27%
Subtotal - Investment grade	33,698	34,710	1,012	90%
BB	725	739	14	2%
B	324	328	4	1%
Other (b)	2,639	2,950	311	7%
Subtotal - Non-Investment grade	3,688	4,017	329	10%
Total	\$ 37,386	\$ 38,727	\$ 1,341	100%

98% of the fixed maturity portfolio is NAIC designated 1 or 2.

- (a) If two agencies rate a security, the rating displayed above is the lower of the two; if three or more agencies rate a security, the rating displayed is the second lowest.
- (b) See page 30 for more information.



September 30, 2018	Amortized Cost	Fair Value	Unrealized Gain (Loss)	% of Fair Value	% of Investment Portfolio
Residential					
Agency	\$ 177	\$ 173	\$ (4)	5%	0%
Prime (Non-Agency)	1,009	1,154	145	32%	3%
Alt-A	837	953	116	26%	2%
Subprime	387	431	44	12%	1%
Commercial	913	923	10	25%	2%
Total AFG consolidated	\$ 3,323	\$ 3,634	\$ 311	100%	8%

- Substantially all of AFG's MBS securities are either senior tranches of securitizations or collateralized by senior tranches of securitizations.
- The average amortized cost as a percent of par is - Prime 81%; Alt-A 78%; Subprime 83%; CMBS 99%.
- The average FICO score of our residential MBS securities is - Prime 733; Alt-A 702; Subprime 631.
- 94% of our Commercial MBS portfolio is investment-grade rated (82% AAA) and the average subordination for this group of assets is 33%.
- The approximate average life by collateral type is - Residential 4.5 years; Commercial 5 years.

December 31, 2017	Amortized Cost	Fair Value	Unrealized Gain (Loss)	% of Fair Value	% of Investment Portfolio
Residential					
Agency	\$ 207	\$ 205	\$ (2)	5%	0%
Prime (Non-Agency)	1,218	1,386	168	33%	3%
Alt-A	994	1,122	128	27%	3%
Subprime	468	517	49	12%	1%
Commercial	928	963	35	23%	2%
Total AFG consolidated	\$ 3,815	\$ 4,193	\$ 378	100%	9%

Property and Casualty Insurance:

By Asset Type	September 30, 2018				
	Amortized Cost	Fair Value	Unrealized Gain (Loss)	% of Fair Value	% of Inv Portfolio
Residential					
Agency	\$ 143	\$ 138	\$ (5)	16%	1%
Prime (Non-Agency)	145	164	19	19%	1%
Alt-A	261	295	34	34%	3%
Subprime	168	187	19	21%	2%
Commercial	84	85	1	10%	1%
Total	\$ 801	\$ 869	\$ 68	100%	8%

By Asset Type	December 31, 2017				
	Amortized Cost	Fair Value	Unrealized Gain (Loss)	% of Fair Value	% of Inv Portfolio
Residential					
Agency	\$ 166	\$ 163	\$ (3)	16%	2%
Prime (Non-Agency)	174	195	21	19%	2%
Alt-A	301	339	38	34%	3%
Subprime	202	221	19	22%	2%
Commercial	93	95	2	9%	1%
Total	\$ 936	\$ 1,013	\$ 77	100%	10%

Annuity and Run-off:

By Asset Type	September 30, 2018				
	Amortized Cost	Fair Value	Unrealized Gain (Loss)	% of Fair Value	% of Inv Portfolio
Residential					
Agency	\$ 34	\$ 35	\$ 1	1%	0%
Prime (Non-Agency)	861	978	117	36%	2%
Alt-A	576	658	82	24%	2%
Subprime	219	244	25	9%	1%
Commercial	829	838	9	30%	2%
Total	\$ 2,519	\$ 2,753	\$ 234	100%	7%

By Asset Type	December 31, 2017				
	Amortized Cost	Fair Value	Unrealized Gain (Loss)	% of Fair Value	% of Inv Portfolio
Residential					
Agency	\$ 41	\$ 42	\$ 1	1%	0%
Prime (Non-Agency)	1,041	1,178	137	37%	4%
Alt-A	693	783	90	25%	2%
Subprime	266	296	30	10%	1%
Commercial	835	868	33	27%	2%
Total	\$ 2,876	\$ 3,167	\$ 291	100%	9%

By Credit Rating (a)	September 30, 2018			
	Amortized Cost	Fair Value	Unrealized Gain (Loss)	% of Fair Value
Investment grade				
AAA	\$ 1,126	\$ 1,131	\$ 5	31%
AA	123	127	4	3%
A	149	155	6	4%
BBB	192	204	12	6%
Subtotal - investment grade	1,590	1,617	27	44%
BB	172	175	3	5%
B	163	167	4	5%
Other (b)	1,398	1,675	277	46%
Total	\$ 3,323	\$ 3,634	\$ 311	100%

97% of the mortgage-backed security portfolio has an NAIC 1 designation.

By Credit Rating (a)	December 31, 2017			
	Amortized Cost	Fair Value	Unrealized Gain (Loss)	% of Fair Value
Investment grade				
AAA	\$ 1,209	\$ 1,246	\$ 37	30%
AA	90	93	3	2%
A	225	239	14	6%
BBB	170	182	12	4%
Subtotal - investment grade	1,694	1,760	66	42%
BB	192	197	5	5%
B	224	230	6	5%
Other (b)	1,705	2,006	301	48%
Total	\$ 3,815	\$ 4,193	\$ 378	100%

97% of the mortgage-backed security portfolio has an NAIC 1 designation.

- (a) If two agencies rate a security, the rating displayed above is the lower of the two; if three or more agencies rate a security, the rating displayed is the second lowest.
- (b) See page 30 for more information.

Appendix A
American Financial Group, Inc.
Fixed Maturities - Credit Rating by Type
(\$ in millions)



By Credit Rating (a)	Fair Value - September 30, 2018								
	US Gov	Munis	Frgn Gov	RMBS	CMBS	ABS	Corp/Oth	Total	% Total
Investment grade									
AAA	\$ 214	\$ 1,845	\$ 91	\$ 377	\$ 754	\$ 3,294	\$ 191	\$ 6,766	17%
AA	22	4,328	55	109	18	2,553	1,437	8,522	21%
A	—	500	—	133	22	2,056	7,053	9,764	24%
BBB	—	56	—	131	73	778	10,256	11,294	28%
Subtotal - Investment grade	236	6,729	146	750	867	8,681	18,937	36,346	90%
BB	—	—	—	140	35	25	523	723	2%
B	—	7	—	164	3	4	89	267	1%
CCC, CC, C	—	—	—	851	6	2	20	879	2%
D	—	3	—	236	—	—	—	239	1%
Subtotal - Non-Investment grade	—	10	—	1,391	44	31	632	2,108	6%
Not Rated	8	61	17	570	12	595	630	1,893	4%
Total	\$ 244	\$ 6,800	\$ 163	\$ 2,711	\$ 923	\$ 9,307	\$ 20,199	\$ 40,347	100%

By Credit Rating (a)	Fair Value - December 31, 2017								
	US Gov	Munis	Frgn Gov	RMBS	CMBS	ABS	Corp/Oth	Total	% Total
Investment grade									
AAA	\$ 250	\$ 1,848	\$ 168	\$ 444	\$ 802	\$ 2,649	\$ 195	\$ 6,356	16%
AA	34	4,671	66	74	19	2,242	1,305	8,411	22%
A	—	494	3	216	23	1,835	6,876	9,447	25%
BBB	—	47	—	106	76	800	9,467	10,496	27%
Subtotal - Investment grade	284	7,060	237	840	920	7,526	17,843	34,710	90%
BB	—	4	4	173	24	23	511	739	2%
B	—	7	1	226	4	—	90	328	1%
CCC, CC, C	—	1	—	902	3	3	26	935	2%
D	—	5	—	517	—	—	—	522	1%
Subtotal - Non-Investment grade	—	17	5	1,818	31	26	627	2,524	6%
Not Rated	7	71	—	572	12	410	421	1,493	4%
Total	\$ 291	\$ 7,148	\$ 242	\$ 3,230	\$ 963	\$ 7,962	\$ 18,891	\$ 38,727	100%

(a) If two agencies rate a security, the rating displayed above is the lower of the two; if three or more agencies rate a security, the rating displayed is the second lowest.